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C O N F I D E N T I A L SECTION 01 OF 02 KINSHASA 000172

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FROM BRAZZAVILLE EMBASSY OFFICE

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SUBJECT: CONGO/B: MEETING WITH NEW FINANCE MINISTER, PLANS  
TO HOLD LINE ON IMF MEASURES DESPITE POLITICAL PRESSURE

REF: KINSHASA 089

Classified By: Ambassador Robin R. Sanders for Reasons 1.4 (b) and (d)

(C) 1. Summary: Ambassador met with Congo/B,s new Finance Minister, Pacifique Issoibeka, January 24, to assess his commitment to keeping the country on track regarding arrears payments, bilateral debt payments, and the IMF PRGF program. Issoibeka had just come from a grueling session with the National Assembly (televised), and was tired and a bit overwhelmed. He began by seeking continued support from the U.S. for Congo,s economic reform. He lauded the previous Finance Minister,s very hard work (he also said this before Parliament), and admitted that he was unsure how the country was going to manage the arrears payments, but emphasized that he was committed to finding a way and moving the country forward in this regard. The new Finance Minister added that he has only been able to absorb roughly a quarter of the portfolio, and is trying to take on the hardest parts piecemeal in order not to get overwhelmed given the enormous task at hand. Issoibeka added that he is in regular contact with outgoing Finance Minister Andely and is receiving continual briefings on each aspect of the country,s problematic economic portfolio one section at a time until he has the entire dossier under better control. End Summary

(C) 2. The Ambassador began by again congratulating Issoibeka on his new post. She reviewed issues previously discussed (reftel) such as not letting any of the PRGF balls drop and that the onus to regain credibility lost by changing Finance Ministers at the beginning of the PRGF program rests squarely on his and the President,s shoulders. Issoibeka said he understood this and would travel to Washington in late February or early March 2005 to reassure the IFIs that he will push his country to remain committed to promises made to the IMF, international donors, and bilateral partners. He said that there is still resistance to IMF measures in some quarters of government as he had to tell Parliamentarians that they could not arbitrarily increase their budget (which they tried to do). (Note: During the televised session with the National Assembly and Senate, Issoibeka likened the IMF program to a doctor,s prescription, and said that Congo was an ill patient that could only improve its economic health by adhering to the doctor,s prescription. End Note)

(C) 3. Ambassador then asked if Congo would be able to meet payments due in January 2005 to Paris Club and others. The Finance Minister said he did not know. He said that Congo had about USD 20 million of the USD 34 million due (as of January 24), and that they were short about USD 14 million. Ambassador stressed that paying late would send additional jitters through the IFIs partners and among other creditors since there was already disquiet after the change in Finance Minister. Issoibeka said he was doing his best to ensure timely payments, but could not promise that he would meet all the deadlines. However, even if he did not, he would continue to work to find the money that was owed even if the payments came late. Ambassador noted again that late payments would again put Congo in a bad light and roll back the few gains on its image that were a result of getting on a PRGF. We discussed briefly the "learning curve" of ensuring that all members of Government recognized that the PRGF is a fluid, not static program and that measures, oil and forestry sector audits, and deadlines must still be met in order to remain on the program. (Note: During the televised Parliamentary sessions, Issoibeka gave the Cameroon example of having to start over after falling off its PRGF program. There was an audible gasp in the room. End Note)

(C) 4. Issoibeka said that President Sassou was still strongly committed to the IMF program and that his instructions were to ensure that Congo progressed on IMF measures and remained on the program. In a related conversation with Sassou,s daughter and close advisor, Claudia Lemoumba Sassou-Nguesso January 20, she noted her father,s continued strong commitment to seeing economic reforms through. She added that she hoped the IFIs would "give Issoibeka a chance and Congo the benefit of the doubt during this transition period between Finance Ministers." In response to that, Ambassador said that Congo was given the "benefit of the doubt in December 2004, and it will be difficult for the international financial community to do so

again - so arrearages, audits, and payments will need to be met on time. The ball is in Congo,s court to prove that it can measure up." Although Madame Lemoumba did not like the comment and thought the reaction by the donor community to the removal of Andely unfair, she took it on board, and in her usual style, Post is sure she will pass this back to her father.

(C) 5. Comment: The first IMF review is scheduled for early March, and we will need to see how Congo performs to determine not only whether things are on course, but if there have been any tangible roll backs on the gains achieved leading up to the December 2004 IMF Board vote. As for Issoibeka, he seems more than technically capable of doing the job, clearly sees how severe the country,s economic problems are, and wants the PRGF program to be successful. What appears to be lacking is the energy level for the task at hand, and the capacity to manage the political battles that are surely ahead. In comparing notes between the Ambassador,s meeting and the World Bank Rep,s meeting that followed two days later, there was a similarity of thought and concern about Issoibeka,s ability to have the stamina (he nodded off in both meetings), not only for the enormity of the technical portfolio, but the ability to stand up to and block the hardliners (reftel) who may see this is an opportunity to get their hands back in the till. Former Finance Minister Andely,s had made all the hardliners tow the economic transparency line, which in the end cost him his job.

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